Crimson Exploration, Inc.

APPROVAL MEMO
$15,000,000 Commitment in $150,000,000 Senior Secured Second Lien Term Loan Facility
May 22, 2007

Borrower

- Crimson Exploration, Inc. ("Crimson", the "Company" or "Borrower") is a publicly-traded (OTC: CXPO) independent oil & gas company based in Houston, Texas. The Company's legacy reserves are located in Texas (54%), Louisiana (28%), Colorado (17%) and Mississippi (1%) and its proved reserves as of December 31, 2006 totaled 46 Bcfe.
- In February 2005, Oaktree Capital Management, LLC ("Oaktree"), a private equity firm with over $35 billion under management, acquired a controlling interest in the Company's predecessor through an equity infusion (GulfWest Energy - renamed Crimson in June 2005). The Company's current management team joined Crimson in connection with the Oaktree recapitalization. Oaktree currently owns approximately 47% of Crimson's common stock on a fully-diluted basis and combined with management's interest, insiders own about 55% of Crimson's common stock (fully-diluted).
- On May 8, 2007, the Company announced the acquisition of properties from EXCO Resources, Inc. (NYSE:XCO) for a gross purchase price of approximately $290 million. Net of adjustments to account for an effective date of January 1, 2007, the adjusted purchase price was about $250 million (the "EXCO Acquisition"). The acquisition consideration consisted of $245 million in cash and 750,000 shares of restricted common stock (valued at $6.10/share). The EXCO Acquisition consists of underexploited fields in South Texas and along the Texas Gulf Coast (see Exhibit I) that have the following profile:
  - Total proved reserves of 95 Bcfe (92% natural gas, 75% proved developed)
  - 255 producing wells on 83,000 gross acres with over 100 identified drilling locations
  - 80% operated, 65% working interest
  - Daily production of 50.7 MMcfe/d as of January 2007
  - PV-10 of $425MM using NYMEX Strip pricing as of May 8, 2007
  - 3P reserves of 235 Bcfe
  - 2006 EBITDAX of $169 million
- In connection with the EXCO Acquisition, Crimson retained Credit Suisse Securities, Wells Fargo Bank and RBS Securities to arrange and syndicate the financing for the acquisition, which consists of the following:
  - A Senior Secured Revolving Credit Facility (the "Senior Facility") with an initial borrowing base of $200 million, of which approximately $123 million was drawn at closing; and
  - A $150 million Senior Secured Second Lien Term Loan Facility (the "2nd Lien Facility"). Credit Suisse is the Lead Arranger of the 2nd Lien Facility.
- The EXCO Acquisition assets had been owned at one time by Westport Resources Corp. ("Westport") a former publicly-traded independent E&P company that was acquired in 2004 by Kerr-McGee Corp., which in turn was acquired by Anadarko Petroleum Corp. (NYSE: APC) for $16 billion in 2006. As part of its debt reduction strategy, APC sold a package of assets to EXCO for $860 million. EXCO divested this sub-package to Crimson as these properties were not in its core area. Crimson's management team was employed by Westport at the time Westport owned these assets.
- The EXCO Acquisition provides the Company with a platform for growth by providing critical mass in core operating areas of South Texas and the Gulf Coast. With the EXCO Acquisition, Crimson has a drilling inventory of approximately 24 Bcfe of PUDs and 140 Bcfe of probable and possible reserves (unrisked). The additional scale also enables the Company to take advantage of incremental opportunities as they arise, including identifying potential acquisitions that may fit well with its existing property set.
- Pro forma for the EXCO Acquisition, the Company had total proved reserves of 141 Bcfe as of December 31, 2006 (54% PDP, 25% PDNP, 21% PUD) with a PV-10 of $567 million based on NYMEX Strip pricing as of May 8, 2007. The Company's total proved reserves are 84% natural gas on a pro forma basis.

Management

Allan D. Keel – Chairman, Chief Executive Officer and President
- Joined Crimson in 2005
- Previously served as President / COO of Mariner Energy (NYSE: ME)
- Formerly Vice President / General Manager of Westport Resources
- Served as interim President of Woodside Energy, Inc. (USA)
- Twenty-six years of oil & gas industry experience

E. Joseph Grady – Senior Vice President and Chief Financial Officer
- Joined Crimson in 2005
- Formerly served as CFO for Texas Petrochemical Holdings, Forcenergy and Pelto Oil Co.
- Over thirty years of oil & gas financial management experience

Jay S. Mengle – Senior Vice President – Operations and Engineering
- Joined Crimson in 2005
- Previously served as Shelf Asset Manager – Gulf of Mexico at Kerr-McGee and held various senior management positions with Westport Resources and Norcen Energy
- Over twenty-five years of operational experience in the oil & gas industry

Tracy Price – Senior Vice President – Land and Business Development
- Joined Crimson in 2005
- Previously served as SVP – Land/Business Development for Houston Exploration (NYSE: THX), Manager of Land/Business Development for Newfield Exploration (NYSE: NFX) and Land Manager for Apache, Inc. (NYSE: APA).
- Over twenty-five years of oil & gas experience

Thomas H. Atkins – Senior Vice President – Exploration
- Joined Crimson in 2005
- Formerly General Manager – Gulf of Mexico for Newfield Exploration (NYSE: NFX) and Exploration Manager for EOG Resources, Inc. (NYSE: EOG).
- Over twenty-five years of oil & gas experience

Transaction Summary
- Request approval of a $15,000,000 commitment to the $150 million 2nd Lien Facility.
- Credit Suisse, Wells Fargo and RBS Securities underwrote and closed the Senior Facility and the 2nd Lien Facility on May 8, 2007 and are seeking commitments from potential 2nd Lien Facility participants by May 30, 2007 with funding to follow on June 1, 2007. Sources and uses of funds are as follows:

SOURCES		USES	
Senior Secured Revolving Credit Facility(1)	$123,000	EXCO Acquisition - Gross Purchase Price	$290,000
Senior Secured Second Lien Term Loan Facility	150,000	Purchase Price Adjustment(2)	(40,000)
Equity Issuance	5,000	Repayment of Existing Debt	21,000
		Transaction Costs	7,000
Total Sources	**$278,000**	**Total Uses**	**$278,000**

Notes:
(1) Represents amount drawn under the Senior Secured Revolving Credit Facility on the closing date
(2) Closing adjustments per terms of the contract

Engineering (see Exhibit II)
- Engineering on Crimson's existing assets was prepared by Pressler Petroleum Consultants and engineering on the EXCO Acquisition was prepared by Netherland Sewell & Associates, Inc. ("Netherland Sewell"), both with an effective date of December 31, 2006. Crimson will select a single engineering firm to prepare its year-end reserves for 2007 (most likely Netherland Sewell).

- Pricing: The engineering reports used different commodity pricing in calculation reserve values. No hedges were used in calculating the reserves. Commodity pricing assumptions follow:

Commodity Pricing Assumptions						
	Pressler Petroleum Existing Assets		Netherland, Sewell & Associates, Inc. EXCO Acquisition			
	TP		PDP		PDNP & PUD	
Year	Oil ($/bbl)	Gas ($/mmbtu)	Oil ($/bbl)	Gas ($/mmbtu)	Oil ($/bbl)	Gas ($/mmbtu)
2007	$61.06	$6.03	$60.76	$7.92	$56.09	$7.31
2008	$61.06	$6.03	$62.70	$8.55	$56.88	$7.30
2009	$61.06	$6.03	$62.31	$8.18	$55.53	$7.00
2010	$61.06	$6.03	$61.77	$7.84	$55.00	$7.00
2011	$61.06	$6.03	$61.35	$7.62	$55.00	$7.00
thereafter	$61.06	$6.03	$61.08	$7.00	$55.00	$7.00

Commitment (M)	Effective Date	Base Case TP PW10% (M)	Commit to PW 10%	% PW Oil / Gas	% PW Proved Categories	Reserves (Bcfe)	Half Life / R/P (yrs)
$15,000 of the $150,000 2nd Lien Facility subordinated to $200,000 Senior Facility	01/01/07	$472,406	1st & 2nd: 74.1%; 1st: 42.3%	16% Oil; 84% Gas	PDP: 73% PDNP: 14% PUD: 13%	PDP: 76.981 PDNP: 35.115 PUD: 29.262 Total: 141.358	Half Life: 3.6 yrs R/P: 7.1 yrs

- Hedging: To ensure availability of financial resources, the Company has hedged 75% of pro forma PDP production through 2011. Thereafter, Crimson will hedge 40% of PDP production on a rolling twelve month basis should the Asset Coverage Ratio fall below 1.80:1. The Company currently has the following hedges in place:

	2H2007		2008		2009		2010		2011	
	Oil	Gas	Oil	Gas	Oil	Gas	Oil	Gas	Oil	Gas
Collars										
Contract Volumes (MBbl/MMcf)	49	5,574	226	7,908	154	5,700	108	4,212	84	3,192
Weighted Average Price (Bbl/Mcf)										
Floor	$60.51	$7.68	$67.11	$8.19	$66.55	$7.90	$65.28	$7.57	$64.50	$7.32
Ceiling	$75.13	$8.93	$70.50	$9.65	$71.40	$9.45	$70.60	$9.05	$69.50	$8.70
Swaps										
Contract Volumes (MBbl/MMcf)	177		78	564	62	432	51	348	40	
Weighted Average Price	$66.00		$76.40	$8.97	$74.20	$8.32	$72.32	$7.88	$70.74	
Hedged Volumes (MBbl/MMcf)	226	5,574	304	8,472	216	6,132	159	4,560	124	3,192
Weighted Average Price (Bbl/Mcf)										
Floor	$64.81	$7.68	$69.49	$8.24	$68.75	$7.93	$67.54	$7.59	$66.51	$7.32
Ceiling	$67.98	$8.93	$72.01	$9.60	$72.20	$9.37	$71.15	$8.96	$69.90	$8.70

- The weighted average floor prices for hedged volumes are $67.65/bbl for oil and $7.85/mcf for natural gas.

<u>Structure/Key Covenants (see Term Sheet – Exhibit III)</u>

- A 2nd Lien Facility in the amount of $150,000,000
- Pricing: L + 5.25% (will increase by 0.50% if at least $25 million of equity is not issued within 150 days of funding)
- The 2nd Lien Facility matures on May 8, 2012

- Voluntary prepayments can be made at 102% of par during the first year after closing, 101% of par during the second year after closing and at par thereafter.
- Secured on a second-priority basis by substantially all property and assets now owned or hereafter acquired by Borrower and/or each guarantor.
- Hedge requirements – The Senior Facility requires the Borrower to maintain hedges on not less than 75% of anticipated PDP production through 2011 and the 2nd Lien Facility requires maintenance of hedges with respect to 40% of estimated PDP reserves for the following twelve-month period at any time and for so long as the Borrower's PV-10 is less than 1.80:1.
- Financial Covenants include:

  Leverage Ratio. Borrower will maintain a Net Debt / EBITDAX ratio as shown below:

Period	Minimum Level
Through December 31, 2007	4.00:1
From January 1, 2008 – June 30, 2008	3.50:1
Thereafter	3.00:1

  Asset Coverage Ratio. Borrower will maintain a minimum Asset Coverage Ratio as shown below:

Period	Minimum Level
Through December 31, 2007	1.25:1
Thereafter	1.50:1

  PDP reserves shall account for at least 60% of PV-10 value.

- Events of Default include the following:
  - Principal and other payment defaults on the 2nd Lien Facility not remedied in three business days
  - Cross-default to the Senior Facility if a default thereunder is not cured or waived within a 45-day period or results in acceleration or termination of commitments
  - Payment default on other debt aggregating $7.5 million

Financial Statement and Pro-Forma Analysis (see Exhibit IV)

- Audited Financial Statements for fiscal years 2005 and 2006 were reviewed.
- A base case pro forma cash flow analysis was prepared using the third party engineering reports and pricing of 100% of the blended NYMEX pricing (see chart in Engineering section above) plus hedge revenues from existing hedges. Based on this analysis, cash flow is adequate to pay off the Senior Facility in 2.80 years as compared to the half-life of 3.61 years. The 2nd Lien Facility does not pay out; however, at maturity of the 2nd Lien Facility, the loan-to-value ratio ("LTV Ratio") is 43.5%. Based on this LTV Ratio, the remaining loan balance could be refinanced with conventional first lien debt. It is assumed that excess cash flow, after scheduled capital expenditures, is used to repay the Senior Facility with the 2nd Lien Facility being repaid thereafter. There is $77MM of unused availability on the Senior Facility. It was assumed these funds were advanced but no value was given for the additional fundings, a very conservative assumption. G&A expenses were based on Crimson's projections through 2012 and were reduced by 10% annually thereafter.
- A break-even pro forma cash flow analysis (including hedge revenues) was also prepared using the engineering reports to determine the commodity price sensitivity of Crimson's reserve base.
  - A case was run to determine the minimum pricing level at which the LTV Ratio of the 2nd Lien Facility at maturity would be less than 100%. This assumes excess cash flow, after scheduled capital expenditures, has been used to repay the Senior Facility first with any remaining cash flow used to reduce the 2nd Lien Facility. In this scenario, asset sales or additional equity would be required to pay the remaining debt. The same assumptions regarding the full funding of the loan and the level of G&A expenditures as above were used. This break-even analysis shows that 73% of the current blended NYMEX pricing (see chart below), including existing hedge revenue, is the approximate minimum price level at which the LTV Ratio on the 2nd Lien Facility would be less than 100%. In this scenario, the Senior Facility is paid out in 2.82 years.

73% of Commodity Pricing Assumptions						
	Pressler Petroleum Existing Assets		Netherland, Sewell & Associates, Inc. EXCO Acquisition			
	TP		PDP		PDNP & PUD	
Year	Oil ($/bbl)	Gas ($/mcf)	Oil ($/bbl)	Gas ($/mcf)	Oil ($/bbl)	Gas ($/mmbtu)
2007	$ 44.574	$4.40	$44.35	$5.78	$40.94	$5.34
2008	$ 44.574	$4.40	$45.77	$6.24	$41.52	$5.33
2009	$ 44.574	$4.40	$45.49	$5.97	$40.54	$5.11
2010	$ 44.574	$4.40	$45.09	$5.72	$40.15	$5.11
2011	$ 44.574	$4.40	$44.79	$5.56	$40.15	$5.11
thereafter	$ 44.574	$4.40	$44.59	$5.11	$40.15	$5.11

Strengths

- With the EXCO Acquisition, Crimson has an extensive inventory of development projects on underexploited assets. With the acquisition, Crimson's total proved reserves increased 206% from 46 Bcfe to 141 Bcfe. The number of producing wells has increased from 119 to 374 with over 100 identified drilling opportunities (3 – 4 year inventory). Furthermore, the EXCO Acquisition provides low-risk opportunities including workovers, recompletions and infill drilling in well defined geologic trends.
- Crimson's management team has familiarity with the EXCO Acquisition assets from their time spent at Westport, which previously owned these properties, and which makes the Company a uniquely qualified buyer. This familiarity will result in the ability of the Company to rapidly identify and implement production and cost enhancement opportunities to increase value, as well as generate low-risk upside potential. Furthermore, Crimson's senior management averages over 25 years of industry experience and has a history of working together, which should translate into added benefits for the Company as it develops its asset base.
- Crimson's asset base generates high margins and free cash flow. Given the South Texas / Gulf Coast nature of the Company's pro forma asset base, Crimson benefits from strong commodity price realizations (low basis differentials) when compared to producers in other operating regions. This asset base also has relatively low operating costs and a high PDP component that results in lower development costs.
- The Company has substantial liquidity and underlying collateral value. At closing of the EXCO Acquisition, the Company has $77 million in undrawn capacity under the Senior Facility which is more than adequate to cover the Company's expected capital expenditure budget of $32.6 million for 2007. In addition, Crimson has reserve collateral coverage of 2.1x post-acquisition and 2.3x pro forma for the planned equity issuance of $25 million, assuming total proved PV-10 at NYMEX Strip pricing as of May 8, 2007.
- The Company is focused on near-term debt reduction. In order to avoid a 50 bps interest rate step-up in the 2^{nd} Lien Facility, Crimson must raise at least $25 million in equity within 150 days of closing of the acquisition (May 8, 2007). Expected proceeds from the equity issue would be used to pay down outstanding amounts drawn under the Senior Facility. Additionally, Crimson expects to keep its capital budget within internally generated cash flow and use free cash flow to further reduce debt and has targeted a maximum Debt/EBITDAX ratio of 2.5x. Furthermore, the Company will consistently review its asset base and identify non-core assets for potential divestiture and apply any proceeds received to debt reduction.
- Crimson is backed by a sophisticated and experienced equity sponsor with substantial Board of Directors representation. Oaktree is an established multi-billion dollar private equity provider and owns approximately 47% of the Company's fully diluted common shares. Including management's equity stake, insiders own about 55% of the Company. Therefore, stakeholder interests are strongly aligned to maximize value at Crimson.

Weaknesses

- The EXCO Acquisition will increase the Company's reserve base from 46 Bcfe to 141 Bcfe or 206%. There is a risk that Crimson's management will not be able to fully integrate the new properties

efficiently, keep operating cost in check and assimilate any new personnel inherited with the acquisition. Mitigating Factors: Crimson's management team has had extensive senior level experience with large independent E&P companies and, therefore, understands what is required to run an organization the size of Crimson pro forma for the EXCO Acquisition. Furthermore, management's familiarity with the asset base that comprises the EXCO Acquisition should enable Crimson to rapidly implement a development plan for the acquired assets.

- Crimson's common stock currently trades on the over the counter bulletin board market which implies less liquidity and therefore may make it more difficult for the Company to raise $25 million in equity. If the Company does not raise $25 million in equity within 150 days from the closing of the 2nd Lien Facility (May 8, 2007), the interest rate on the facility will increase by 50 bps. Mitigating Factors: We have been advised by Credit Suisse that the Company is taking steps to have its common stock listed on a senior US equity exchange (mostly likely NASDAQ or AMEX) and is in discussions with several parties to provide equity research coverage to increase the visibility, and ultimately liquidity of the stock. In addition, by working with a global investment bank like Credit Suisse, Crimson can access the institutional relationships that Credit Suisse has to complete the equity issuance in the timeframe necessary. Furthermore, Oaktree has the capacity to infuse additional equity into the Company, if needed.
- Reserve engineering on Crimson's legacy (existing) assets was prepared by Pressler Petroleum Consultants. Pressler is a smaller firm that is considered a second tier engineering consultant as compared to Netherland Sewell, Ryder Scott, etc. Mitigating Factors: Reserve engineering on the EXCO Acquisition assets, which comprise 67% of the pro forma combined total proved reserve base, was prepared by Netherland Sewell, considered one of the premier third-party engineering consultants in the industry. The Company has also indicated that they intend to use one large reserve engineering firm to prepare their year-end 2007 reserves and will most likely select Netherland Sewell.

Recommendation

- Approval of a $15,000,000 commitment to the 2nd Lien Facility is requested based on the Strengths listed above and the factors which mitigate the Weaknesses.

APPROVED:

Gardner Finance

____

____

____

Date: ____________________